

Message Text

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ACTION EA-10

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COMMERCIALLY SENSITIVE

E.O. 11652: N/A

TAGS: ETRD, EEWT, EAGR, CH, US

SUBJ: PRC NATIVE PRODUCE TAKES AIM AT THE U.S. MARKET

REFS: A) STATE 31294

B) HONG KONG 1626

C) PEKING 317

1. SUMMARY. THE PRC'S NATIVE PRODUCE CORPORATION APPEARS TO BE GIVING HIGH PRIORITY TO EXPORTING TO THE AMERICAN MARKET. THIS STATEMENT IS BASED ON THE EXPERIENCE AT THE BAMBOO FAIR IN CANTON OF A HONG KONG TRADING FIRM WHICH RECEIVED UNPRECEDENTED TOP-LEVEL ATTENTION APPARENTLY BECAUSE IT PROPOSED TO DEVELOP A NEW MARKET FOR PRC BAMBOO IN THE U.S. END SUMMARY.

2. MORE THAN OTHER CORPORATIONS, THE CHINA NATIONAL NATIVE PRODUCE AND ANIMAL BY-PRODUCTS IMPORT AND EXPORT CORPORATION (NATIVE PRODUCE) SEEMS AGGRESSIVELY TO BE MARKETING
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ITS PRODUCTS TO THE WORLD THROUGH THE SPECIALIZED MINI-

FAIRS, WITH PARTICULAR ATTENTION TO THE U.S. MARKET. REFTEL A REPORTED INVITATIONS TO TEN U.S. FIRMS, AND IN ADDITION, AN INVITATION WAS ALSO RECEIVED BY COCA-COLA (HONG KONG) ON BEHALF OF ITS PIER ONE IMPORTS COMPANY SUBSIDIARY (REF B). THE INTENTION TO PURCHASE NATIVE PRODUCE GOODS FOR THE U.S. MARKET APPARENTLY LED TO WING FUNG LTD., A HONG KONG TRADING FIRM JOINTLY OWNED BY AN ENGLISHMAN, PETER BENNETT, AND BY A HONG KONG BUSINESSMAN, HENRY WONG, BEING GIVEN SPECIAL TREATMENT AT THE FOREST PRODUCTS MINI-FAIR (DESCRIBED REF C).

3. WING FUNG IS DEVELOPING A MARKET IN THE U.S. FOR PRC BAMBOO CANES FOR SUCH AGRICULTURAL USES AS BEAN POLES AND FRUIT TREE PROPS. (THE MARKET IS NOW SUPPLIED BY IMPORTS FROM THAILAND AND TAIWAN, AND BY DOMESTIC PRODUCTION OF RED-WOOD STAKES.) IN DECEMBER 1974, WING FUNG HELD EXPLORATORY TALKS WITH NATIVE PRODUCE'S HONG KONG AGENT TECK SOON HONG, WHICH WERE QUICKLY FOLLOWED BY FURTHER DISCUSSIONS IN CANTON BETWEEN WONG AND THE NATIVE PRODUCE KWANGTUNG BRANCH CHIEF. AT THE MINI-FAIR, LIN I-SHENG MANAGER FOR FOREST PRODUCTS OF THE NATIVE PRODUCE PEKING HEAD-OFFICE, INVITED WONG AND BENNETT TO HIS TUNG FANG HOTEL SUITE FOR A LONG DISCUSSION ABOUT THE U.S. CANE MARKET ONE EVENING. AT THE FOLLOWING EVENING'S BANQUET FOR SOME 200 HONG KONG/MACAO CHINESE BUSINESSMEN, WONG WAS SEATED ON LIN'S RIGHT AND BENNETT (THE ONLY EUROPEAN AT THE MINI-FAIR), ON HIS LEFT AT THE HEAD TABLE. (ALSO AT THE HEAD TABLE WAS THE HONG KONG BUYER FOR MAY COMPANY.) RESPONDING TO A QUESTION, BENNETT'S INTERPRETER ON HIS OWN AUTHORITY SAID THAT THIS SPECIAL TREATMENT WAS BECAUSE THE PRC WANTS TO INCREASE EXPORTS TO THE U.S. TO REDUCE THE TRADE DEFICIT.

4. LIN SAID THAT NATIVE PRODUCE IS WILLING TO WORK CLOSELY WITH WING FUNG, BUT REALISTICALLY CAUTIONED THEM NOT TO PLACE LARGE ORDERS INITIALLY. THIS WAS IN RESPONSE TO A TENTATIVE OFFER WING FUNG HAD RECEIVED FROM WOOLWORTH'S STORES FOR US\$5 MILLION WORTH OF GREEN DYED, WAXED CANES FOR CONSUMER AND FLOWER SHOP USE. LIN'S COMMENT IMPLIED THAT NATIVE PRODUCE DOES NOT YET HAVE A SYSTEM FOR COLLECTING, PROCESSING, AND EXPORTING BAMBOO CANES FOR SUCH AGRICULTURAL USES IN LARGE QUANTITY. NATIVE PRODUCE WAS REASSURED TO LIMITED OFFICIAL USE

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LEARN THAT APPARENTLY THERE IS NO SIGNIFICANT DOMESTIC BAMBOO CANE INDUSTRY, WHICH COULD INHIBIT SIZEABLE EXPORTS TO THE U.S.

5. WHEN INFORMED THAT TAIWAN SUPPLIES CANES TO THE U.S., WING FUNG WAS TOLD FLATLY THAT NATIVE PRODUCE WOULD BEAT ANY PRICE THAT TAIWAN GIVES, WHICH BENNETT INTERPRETED AS AN INDICATION OF ECONOMIC WARFARE AGAINST TAIWAN. (WE SUSPECT

THAT COMPETITIVE CONSIDERATIONS AT A TIME WHEN FOREIGN EX-
CHANGE IS SCARCE WOULD ALSO PLAY A ROLE IN SUCH A POLICY.)

6. NATIVE PRODUCE WAS AGREEABLE TO INVITE A DELEGATION
OF AMERICAN FRUIT AND VEGETABLE GROWERS TO VISIT THE
CANE GROWING AREAS OF THE PRC, WITH THE EXPECTATION THAT THE
CHINESE WOULD ALSO LEARN NEW AGRICULTURAL TECHNIQUES FROM
THEM. NATIVE PRODUCE WAS UNAWARE OF THE USES MADE OF
CANES AND STAKES IN AMERICAN AGRICULTURE TO BOOST FRUIT
AND VEGETABLE YIELDS.

7. BENNETT OBSERVES THAT THE FAVORABLE TREATMENT OF HIS
FIRM, AND THE RESPONSIVENESS OF NATIVE PRODUCE TO HIS RE-
QUESTS AND SUGGESTIONS HAS NEVER HAPPENED TO HIM BEFORE IN
HIS TEN YEARS OF PURCHASING PRC GOODS FOR THE BRITISH AND
EUROPEAN MARKETS.

8. MEMCON BEING POUCHED TO DEPARTMENT AND USLO.

9. THIS INFORMATION IS COMMERCIALY SENSITIVE, AND SHOULD
BE HELD WITHIN THE U.S. GOVERNMENT.

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